ELECTRA ENERGY CORPORATION

Annual Report 1994

Annual General Meeting

The Annual General Meeting of Shareholders will be held on Wednesday, June 28, 1995, at 10:30 a.m. at the Bow Valley Club, Suite 370, 250 - 6th Avenue S.W., Calgary, Alberta. Shareholders who are unable to attend are asked to complete and return their Form of Proxy to Montreal Trust Company of Canada.

Financial Highlights

	10 months ended December 31, 1994	8 1/2 months ended February 28, 1994	% Change
Financial			
($000, except per share data)			
Total revenues	**1,150**	445	+158
Cash flow from operations	**242**	68	+256
Per share	**0.02**	0.01	+100
Net loss	**62**	82	–24
Per share	**0.01**	0.01	–
Capital expenditures	**2,314**	1,500	+54
Total assets	**3,554**	3,214	+11
Long-term debt	**–**	142	n/a
Shareholders' equity	**2,826**	2,090	+35
Outstanding common shares,	**11,951**	10,387	+15
weighted average	**10,873**	8,964	+21
Operating			
Daily production			
Oil (bbl/d)	**174**	47	+270
Gas (mcf/d)	**135**	530	–75
Total (boe/d)	**188**	100	+88
Reserves			
Oil (mbbl)	**804**	397	+103
Gas (mmcf)	**3,378**	4,973	–32
Total (mboe)	**1,142**	894	+28
Land holdings (net acres)			
Undeveloped	**2,668**	10,500	–75
Total	**4,786**	18,835	–75
Drilling activity			
Gross wells	**25**	11	+127
Net wells	**4.8**	4.1	+17
Average prices			
Oil ($/bbl)	**20.51**	14.92	+37
Gas ($/mcf)	**1.41**	1.93	–27

President's Message

Electra Energy Corporation is an emerging oil company targeting consistent growth through exploration and development in Western Canada.

This has been an exciting period for Electra Energy Corporation.

The intent and resolve of the initial amalgamation on June 15, 1993, when three private companies committed their petroleum and natural gas assets and undeveloped lands to the custody of our predecessor company, Electra Petroleum Ltd., have matured and developed into the publicly traded corporation we are today.

Electra has grown from an oil and gas producer with an initial production base of 20 boe/d in June of 1993, to an emerging energy company with a December, 1994, production exit rate in excess of 400 boe/d.

This remarkable achievement, in a relatively short period of time, has been realized through the execution of management's growth-oriented exploration and development strategy.

Electra became a reporting issuer on the Alberta Stock Exchange on February 9, 1995, by completing a reverse takeover of Lake Placid Resources Ltd.

Lake Placid was a former Junior Capital Pool Corporation which had completed its major transaction. The management of Electra was certain that this route to attaining the objective of liquidity for our existing shareholders was the preferred alternative and monetarily, less costly, in an environment of unresponsive equity markets. The majority of Lake Placid shareholders responded favourably and supported this "friendly" takeover. I wish to thank the shareholders of Lake Placid for their contribution and support. Electra, the amalgamated entity, is now poised to avail itself to the capital markets when a resurgence materializes.

Since inception, financing for the development of Company properties was provided as a direct consequence of management's efforts. During the Fall of 1994, a private offering was undertaken that resulted in the issuance of 1.5 million flow-through common shares with net proceeds of $1.4 million. A significant number of these shares were purchased by officers of the Company, which demonstrates management's confidence in our collective efforts for future growth and profitability.

Since the start of this fiscal period, additional personnel in the disciplines of geology, engineering, finance and accounting have been incorporated into our employee roster to complement the existing staff. Electra is now well-positioned to undertake the obligations and duties of an operator in our industry. Our team has initiated exploration plays, scrutinized prospects, secured acreage and commenced operations in these new areas.

It is the intent of the Company to retain a higher working-interest in these prospects than it has in the past to reflect our commitment to enhance growth.

During 1995, Electra will increase its drilling activity not only in expanding the development program of our major producing property at Taber, Alberta, but also at Battrum, Saskatchewan and in new exploration areas. We anticipate that a total of 25 (7.0 net) wells will be drilled prior to year end.

When Electra Petroleum Ltd. was formed in June of 1993, it was created with the intention of growing through exploration and exploitation of prospects generated in-house. It is our intent to participate from a working interest position, and subsequently farm-out the balance of the working interest to industry partners.

Management has recently reviewed its 1995 capital budget and intends to limit corporate capital exposure so as not to overextend itself. Electra will utilize bank financing where deemed necessary to accomplish capital projects such as the construction of our battery facility at Taber.

As an aggressive junior oil and gas explorer and producer, Electra intends to continue to increase its net worth and shareholder value by consistent growth in production and reserves through the drill bit.

I would like to thank Mr. Ken Evans, who recently resigned as President and Director of the Company, for his effort in completing the reverse takeover of Lake Placid. We are also appreciative of the support and encouragement of Mr. Ron Hayes, one of the founding shareholders and original directors of Electra Petroleum Ltd., who has decided not to seek reelection. The success we have achieved to date is the result of the continuing support of our shareholders and directors; we believe 1996 will be both challenging and successful with opportunities for continued growth and increasing the value for our shareholders.

On behalf of the Board of Directors

J.D. Gary Kirkpatrick
President

May 3, 1995

Together with the current opportunities for expansion through corporate merger, Electra continues to build the foundation for future growth.

Exploration and Development

It is Electra's goal to seek oil opportunities which exhibit finding and development costs of $5.00/bbl or less and on-stream costs of less than $10,000/bbl/d.

In 1994, Electra initiated a series of actions designed to achieve our goal of long-term growth as a successful oil exploration company. To this end, the Company focused its 1994 capital on the development of existing oil pools in the Taber area of Alberta. Development success in this core area has created a production foundation from which to finance Electra's 1995 exploration activities in Western Canada. Concurrently, mapping projects commenced in three new target areas to create the opportunities fundamental to long-term growth. To date, drillable prospects have been identified in the new exploration areas and by the end of the first quarter of 1995, lands had been acquired in two of these areas.

Exploration is the engine of Electra's future and development provides the fuel. Target areas are chosen based on the following guidelines:

- oil-prone;
- high working interests;
- proven economic horizons;
- moderate drilling depths;
- available lands; and
- operatorship.

Innovative concepts and the use of emerging technologies are essential to successful exploration programs of the nineties. Electra applies these principles to answer the following key questions:

1) how were the original pools found and why do they exist?
2) how can Electra use new ideas and technologies to find new pools at less cost?
3) how can Electra maximize reservoir recoveries, rates and revenues?

It is Electra's goal to seek oil opportunities which exhibit finding and development costs of $5.00/bbl or less and on-stream costs of less than $10,000/bbl/d. While oil is the primary and preferred target, gas opportunities will be pursued where justified by economics.

Drilling Results

In 1994, Electra participated in the drilling of 25 wells (4.8 net). An overall success rate of 77% was achieved, with 15 (3.1 net) oil wells and 2 (0.6 net) gas wells.

Electra will continue development of its core properties through 1995 and is now pursuing opportunities in a number of new target areas. In 1995, the Company plans to drill 25 (7.0 net) wells. Electra will retain approximately 75% working interest in the wells which it operates.

1994 Drilling Summary

	Exploration		Development		Total	
	Gross	Net	Gross	Net	Gross	Net
Oil	5	1.3	10	1.8	15	3.1
Gas	–	–	2	0.6	2	0.6
Dry and Abandoned	3	0.4	5	0.7	8	1.1
Total	8	1.7	17	3.1	25	4.8

Land Activity

Electra assesses the drilling potential of all lands prior to purchase. In this manner, risk can be minimized and subsequent activities will take advantage of previous work performed.

During the Spring of 1994, the Company reduced its land holdings through the sale of marginal properties. Subsequent to this sale, additional lands were acquired, almost exclusively in oil-prone areas. As part of Electra's strategy, working interest levels have been increased, such that acquisitions during late 1994 have working interests averaging over 75%.

Since the end of 1994, Electra has acquired a 100% interest in 2360 acres of land in the Workman area of Saskatchewan. Negotiations continue on acquiring additional interests in offsetting lands. The Company also acquired a 50% working interest in 1800 acres at Battrum, Saskatchewan and 1280 acres in the Golden area of Alberta. All three areas are prospective for light gravity crude oil and will be evaluated through drilling over the next year.

The following table summarizes Electra's net land holdings, in acres, by December 31, 1994:

	Total	Undeveloped
Alberta	3376	1665
Saskatchewan	1410	1003
Total	4786	2668

Taber West, Alberta

At the close of 1994, the Taber West area accounted for 298 bbl/d or 74% of Electra's total production from 9 (2.6 net) producing oil wells.

In mid 1994, Electra participated in the shooting of a 5.5 square mile 3D seismic program over Company lands. More than 20 locations were identified and by December 31, 1994, 8 (2.5 net) of these wells were drilled. All were successful and have been placed on production. The Company plans to drill 10 (4.4 net) more wells in 1995. Construction of a central oil production and water handling facility was completed in April, 1995. This facility will reduce current operating costs and provide the opportunity for increased production rates.

Electra also participated in the drilling of 5 (0.7 net) low-interest wells with Renaissance Energy Ltd. Of these, 1 (0.1 net) well successfully encountered oil in the Taber formation. A total of 2 (0.2 net) additional locations are expected to be drilled on the Renaissance-operated lands during 1995.

Taber East, Alberta

In December, 1994, 82 bbl/d net to Electra was produced at Taber East. The wells produce light oil from the Glauconite formation. A 4.5 square mile 3D seismic program was shot over the original two oil discoveries and across adjacent lands. By the end of 1994, Electra participated in the drilling of an additional 4 (0.7 net) wells on these lands, resulting in 3 (0.6 net) oil wells and 1 (0.1 net) dry hole. Electra and partners also acquired additional lands to the south which are on trend with current producers.

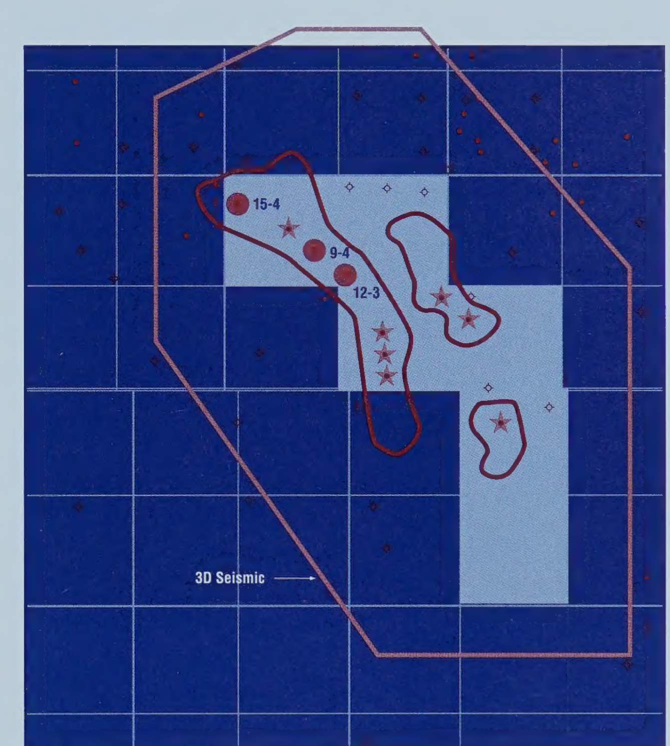
Battrum, Saskatchewan

Electra began the year with a small working interest (3.7%) in the Battrum Voluntary Unit No. 1. The Unit produces medium gravity crude oil from sandstones of the Jurassic Roseray formation. The Unit was expanded by acquisition later in the year and, combined with the positive effects of a waterflood initiated in late 1993, provided Electra with a net production rate of 24 bbl/d in December, 1994.

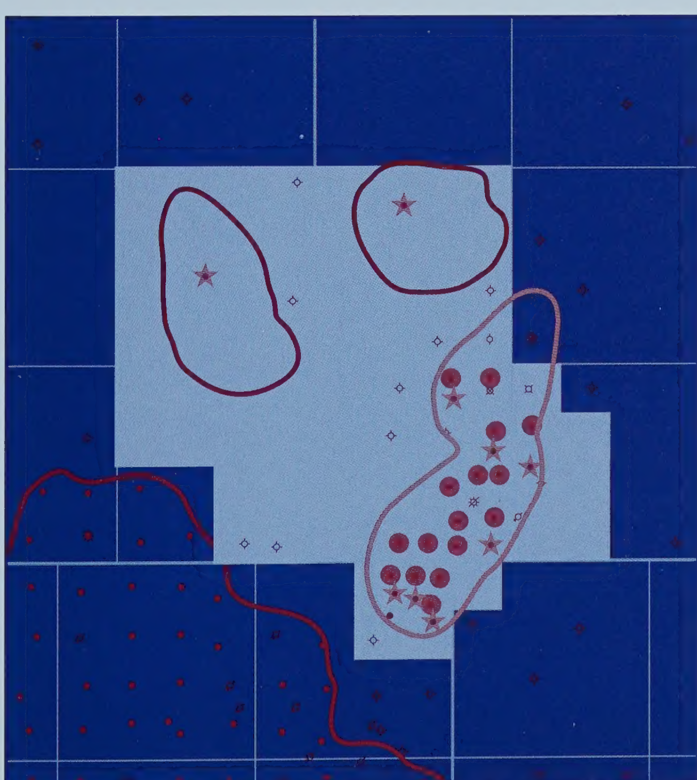
Electra is capitalizing on expertise gained in this area. Recognizing the premium economics of the Battrum Unit production, the Company in early 1995 acquired a 50% interest in another 1800 acres of exploration lands to the west of the Unit. Preliminary seismic results are encouraging, with potential for drilling locations on the exploration lands over the next 12 months.

Taber West

Capital	$1.3 million
Wells	8 (2.5 net) Taber oil
Success	84%
New production	263 bbl/d
New reserves	400 mbbl
Finding & development cost	$3.25/bbl
On-stream cost	$5000/bbl/d



Battrum



Taber East

Capital	$0.4 million
Wells	4 (0.7 net) Glauconite oil
Success	75%
New production	82 bbl/d
New reserves	100 mbbl
Finding & development cost	$4.00/bbl
On-stream cost	$5100/bbl/d

ELECTRA LAND
ELECTRA OIL WELL
1995 DRILLING LOCATION
OIL POOL

Exploration Target Areas

In addition to pursuing other opportunities in the Taber and Battrum core areas, Electra has initiated exploration projects at Workman, Saskatchewan and at Drumheller and Greencourt in Alberta. All three exploration areas have histories of substantial oil and gas discoveries. By the end of the first quarter of 1995, Electra had identified prospects in all three areas and acquired additional lands at Workman and Drumheller.

Workman, Saskatchewan

Together with lands acquired in the first quarter of 1995, Electra has successfully acquired a 100% interest in 2360 acres on this Jurassic-Success oil play near Workman. The Success Formation produces light oil in the area, with initial production rates in excess of 100 bbl/d. Current lands hold the potential for up to three new pools. The project also appears suitable for development with horizontal drilling, which could result in substantially improved production rates and ultimate recoveries. Electra plans to shoot additional 2D seismic data early in the second quarter of 1995, targeting a summer drilling program.

Drumheller, Alberta

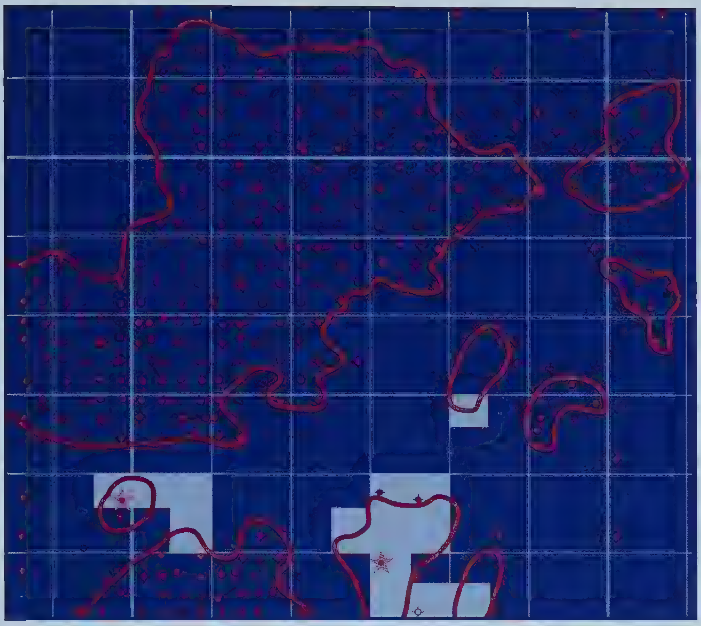
In late 1994, Electra acquired, through farm-in, a 100% working interest before pay-out on 640 acres of land in the Drumheller area. Early in January, 1995, Electra drilled a directional well in LSD 16-17-29-20W4M and successfully encountered natural gas in the Glauconite formation. On completion, the zone flowed 1.6 mmcf/d of dry gas at pipeline pressure. Subsequent to the drilling, Electra acquired a 60% interest in an additional 320 acres of land offsetting the discovery.

The Drumheller area has recognized potential for light gravity oil and sweet gas in a number of zones, including the Devonian Nisku formation. This target area has a well-developed infra-structure for both oil and gas and holds good potential for application of 3D seismic and horizontal drilling.

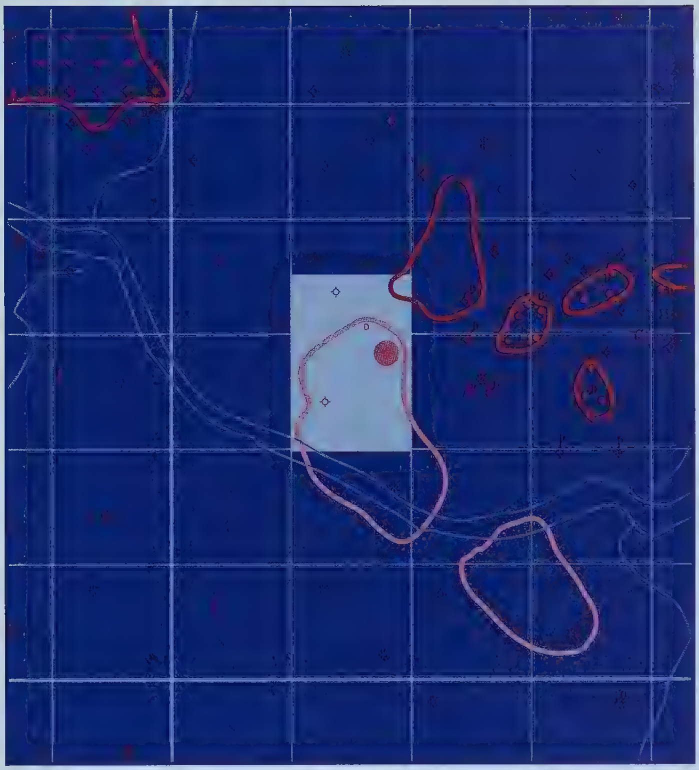
Greencourt, Alberta

The Greencourt target area is in the initial stages of exploration. The area lies on trend with a number of high volume oil and gas pools producing from both the Cretaceous and Devonian horizons. There is available land within the mapping area and drilling is of moderate depth. To date, several oil and gas prospects have been identified.

Workman



Drumheller



Greencourt

ELECTRA LAND
ELECTRA OIL WELL
ELECTRA GAS WELL
1995 DRILLING LOCATION
OIL POOL
GAS POOL
OPPORTUNITIES

Reserves and Asset Value

The following tables reflect remaining recoverable reserves of crude oil and liquids and natural gas evaluated independently by Reliance Engineering Group Ltd. A comparison with February 28, 1994 shows that crude oil and liquids reserves increased 103% whereas natural gas reserves decreased 32% over the fiscal period, resulting in an overall increase of 28% or 248 mboe.

Petroleum and Natural Gas Reserves and Present Worth as at December 31, 1994:

	Reserves			Present Worth of Estimated Future Net Revenues Before Tax ($000)			
	Oil (mbbl)	Gas (mmcf)	BOE (mboe)	0%	10%	15%	20%
Proven	529	2796	809	9883	7415	6596	5945
50% Probable	275	582	333	3810	2370	1931	1599
Total	804	3378	1142	13693	9785	8527	7544

Reconciliation of Petroleum and Natural Gas Reserves:

	Oil (mbbl)			Gas (mmcf)			Total (mboe)		
	Proven	50% Probable	Total	Proven	50% Probable	Total	Proven	50% Probable	Total
February 28, 1994	267	130	397	4162	811	4973	683	211	894
Additions/revisions	367	160	527	1456	247	1703	513	185	698
Divestitures	(52)	(15)	(67)	(2781)	(476)	(3257)	(330)	(63)	(393)
Production	(53)	–	(53)	(41)	–	(41)	(57)	–	(57)
December 31, 1994	529	275	804	2796	582	3378	809	333	1142

Summary of Price Forecasts

In accordance with Sproule Associated Limited price schedule effective October 1, 1994:

	Light Crude Oil		Natural Gas
Year	WTI Cushing ($US/bbl)	FOB Edmonton ($CDN/bbl)	Direct Sales ($CDN/mcf)
1995	18.00	23.65	1.95
1996	18.86	24.82	2.07
1997	19.77	26.06	2.19
1998	20.71	27.35	2.32
1999	21.71	28.71	2.46
2000	22.75	30.13	2.60
2001	23.84	31.62	2.75
2002	24.98	33.18	2.90
2003	26.18	34.82	3.01
2004	27.43	36.53	3.13
2005	28.75	38.33	3.24

Notes

(1) Prices escalated at 4.75% per annum through 2010 and 3.5% per annum thereafter.

(2) Exchange rate of $0.725 CDN/$US used throughout.

Net Asset Value

The Company's net asset value as at December 31, 1994 was calculated at $10.1 million or $0.85 per common share:

	($000)
Reserves	8,527
Undeveloped lands	615
Seismic	178
Working capital	813
	10,133
Common shares outstanding at year-end	11,951,298
Net asset value per common share	$0.85

Electra experienced a drilling success ratio of 77% which has increased corporate production to in excess of 400 boe/d.

The following discussion and analysis of operating results and financial condition should be read in conjunction with the financial statements commencing on page 16 of this report.

Highlights

Electra achieved record levels of gross production revenue and cash flow from operations in 1994.

- Production volume increased 88% to 188 boe/d from 100 boe/d for the prior period.
- Gross production revenue increased 158% to $1,149,615 in 1994, from $444,623 in the prior period.
- Cash flow from operations increased 256% to $242,476 from $67,834. On a per share basis, cash flow from operations increased to $0.02 per share from $0.01 per share in the prior period.
- Net loss decreased 24% to $62,296, or $0.01 per share, from a loss of $82,141, or $0.01 per share in the prior period.
- Capital expenditures increased 54% to $2,313,732 in 1994 from $1,500,350 in the prior period.

Results of Operations

The ten months ended December 31, 1994 were a period of strategic planning and subsequent action for Electra. Blueprints for future success in the petroleum and natural gas exploration and development business were formulated. Geographical focal points were selected based upon the ability to achieve corporate growth objectives. Risk/reward decisions including level of participation and operatorship were considered. A preferred personnel profile was created and the recruitment process began. Electra hired an Exploration Manager with an excellent track record and significant discoveries to his credit; an Operations Manager seasoned in production and drilling activity; and a Controller, who is a Chartered Accountant, experienced in both private and public entities, while retaining the services of the founder and architect of the Company to serve as both Chairman and Land Manager.

At March 1, 1994, Electra's oil production reached 47 bbl/d and natural gas production achieved 530 mcf/d, for total production of 100 boe/d. During the ten months ending December 31, 1994, Electra participated in the drilling of 25 (4.8 net) wells of which 15 (3.1 net) are producing oil wells, 2 (0.6 net) are shut-in gas wells and 8 (1.1 net) were dry and abandoned. This drilling activity significantly affected corporate production which increased to 403 boe/d for the month of December, 1994.

The ten month results reflect gross oil and gas sales of $1,149,615, of which $1,091,421 (95%) pertain to oil and $58,194 (5%) relate to natural gas sales. Total oil production was 53 mbbl or an average 174 bbl/d at a price of $20.51 per barrel. Total gas production was 41.2 mmcf or an average 135 mcf/d at a price of $1.41 per mcf. Total production for the period averaged 188 boe/d. Royalties paid of $177,877 included crown royalties of $34,281, net of a reduction equal to $55,604 applied for under the Alberta Royalty Tax Credit (ARTC) program.

During this fiscal period, management determined that the Devil's Basin property located in Montana, U.S.A., had no enduring value or prospect for future value; therefore, $170,397 of costs associated with this property have been written off. Lease operating expense aggregated $239,730 or $4.18 per boe, while royalties equated to $3.10 per boe, resulting in a contribution from field operations equal to $12.77 per boe or $732,008. Depletion of oil and gas assets was calculated to be $115,939 or $2.02 per boe. This figure is equivalent to Electra's carrying costs on a boe basis of its continuing oil and gas property, giving value to proven reserves only.

General and administrative expense of $452,332 includes $145,619 of professional fees of a legal, accounting or engineering nature which are closely tied to the Corporation's recent re-organization and the flow-through common share issues. Administrative expense per boe equates to $7.89. The comparable administrative expense total of $223,554, in the preceding period, equated to $8.66 per boe.

Interest expense of $10,992 on the $141,500 convertible debenture was recorded at the Alberta Treasury Branch's prime rate plus 2% for the period.

During the fiscal period, the Corporation disposed of certain non-strategic oil and gas properties for total proceeds of $1,475,122. Other capital was provided by the issuance of common shares. In total, 1,524,000 shares were issued for cash of $1,379,525 and 39,998 shares were issued for petroleum and natural gas properties with an ascribed value of $30,000.

Capital Expenditures

Capital expenditures during 1994 increased to $2,313,732 compared to $1,500,350 in the previous period. The majority of funds were expended in the Taber area where 12 wells were drilled with an average working interest of 24%.

Liquidity and Capital Resources

Electra's 1994 capital expenditure program was financed through $242,476 of internally generated cash flow from operations, $1,379,525 of flow-through equity financing and proceeds realized on the disposition of non-core properties in the amount of $1,475,122.

Electra's working capital has increased to $813,358 from $141,467 as at February 28, 1994. Short-term liquidity requirements are well covered.

Long-term debt of $141,500 has been shifted to the current liability section recognizing the forthcoming due date or conversion privilege of the debenture on March 31, 1995. It is anticipated that the current asset base and projected cash flow will support borrowing capacity in excess of $2 million.

Capital Expenditures	
	($000)
Land	453
Seismic	336
Drilling and Completions	1,425
Production facilities	46
Other	54
	2,314

The capital budget for 1995 anticipates spending in the order of $3.7 million to drill, complete and equip wells in Company core areas, as well as to install central batteries and gathering systems in two of Electra's productive fields. The production facilities will be funded by bank financing.

Electra is embarking on an exploration program for crude oil which will focus on exploitation of current land holdings and expansion in core areas.

Business Risks

The Company's principal business risks arise from the nature of crude oil and natural gas markets, uncertain results of capital expenditure programs and volatility of interest and exchange rates. Electra actively manages the risks of capital programs by concentrating drilling and subsequent development activities in areas where the Company has demonstrated technical capabilities.

Sensitivity to fluctuations in key business conditions, as at December 31, 1994, is illustrated in the table below.

	Impact on Cash Flow Per Common Share
	($)
Commodity price changes	
Crude oil ($1.00 per barrel)	0.01
Natural gas ($0.10 per mcf)	–
Production volume changes	
Crude oil (100 bbl/d)	0.04
Natural gas (1 mmcf/d)	0.03
Financial changes	
Interest rate (one percent)	–
Exchange rate (Cdn $0.01)	–

Outlook

Electra is optimistic about opportunities available to establish continued growth and profitability. The Company is now positioned to proceed with an exploration and development program which will be financed from cash flow from operations and selective debt financing.

Electra's 1995 budget assumes an average price for oil of U.S. $18.00 per barrel and a Canadian/U.S. exchange rate of $0.72. Natural gas prices are expected to average approximately $1.50 per mcf over the next 3 years.

Assuming no significant changes in prices or cost, the resulting anticipated cash flow, in conjunction with a credit line not exceeding one year's cash flow, will finance our approved exploration and development capital expenditure program for 1995.

We have audited the balance sheet of Electra Energy Corporation (formerly Electra Petroleum Ltd.) as at December 31, 1994 and the statements of loss and deficit and changes in financial position for the ten months then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at December 31, 1994 and the results of its operations and the changes in its financial position for the ten months then ended in accordance with generally accepted accounting principles.

The financial statements as at February 28, 1994 and for the period from the date of amalgamation, June 15, 1993, to February 28, 1994 were audited by other auditors who expressed an opinion without reservation on these statements in their report dated September 14, 1994.

KPMG Peat Marwick Thorne

Chartered Accountants
Calgary, Canada
April 3, 1995

Balance Sheet

December 31, 1994, with comparative figures as at February 28, 1994

	December 31, 1994	February 28, 1994 *(note 1)*
Assets		
Current assets		
Cash	**$ 476,531**	$ 558,769
Accounts receivable	**1,009,019**	525,306
Prepaid expenses	**15,783**	10,440
	1,501,333	1,094,515
Capital assets *(note 3)*	**2,052,733**	2,119,903
	$ 3,554,066	$ 3,214,418
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable	**$ 546,475**	$ 953,048
Current portion of long-term debt	**141,500**	–
	687,975	953,048
Long-term debt *(note 4)*	**–**	141,500
Deferred income taxes	**22,000**	24,500
Abandonment and site restoration provision	**18,473**	5,300
	728,448	1,124,348
Shareholders' equity		
Share capital *(note 5)*	**2,952,138**	2,154,294
Deficit	**(126,520)**	(64,224)
	2,825,618	2,090,070
Commitments *(note 8)*		
Subsequent events *(note 9)*		
	$ 3,554,066	$ 3,214,418

See accompanying notes to financial statements.

On behalf of the Board:

Director

Robert G. Gibson

Director

Statement of Loss and Deficit

For the ten months ended December 31, 1994, with comparative figures from the date of amalgamation, June 15, 1993 to February 28, 1994

	Ten months ended December 31,1994	June 15, 1993 to February 28,1994
		(note 1)
Revenue		
Oil and gas	**$ 1,149,615**	$ 444,623
Royalties paid, net of royalty tax credit	**(177,877)**	(60,908)
	971,738	383,715
Expense		
General and administrative	**452,332**	223,554
Bad debt expense	**50,543**	–
Production and operating	**239,730**	134,732
Write-down of U.S. petroleum and natural gas properties	**170,397**	–
Depletion and depreciation	**123,702**	144,675
Provision for abandonment and site restoration	**15,118**	5,300
Interest on long-term debt	**10,992**	7,797
	1,062,814	516,058
Loss before other income	**(91,076)**	(132,343)
Other income		
Consulting income	**26,280**	50,202
Loss before income taxes	**(64,796)**	(82,141)
Income tax provision *(note 6)*		
Deferred (recovery)	**(2,500)**	–
Net loss for the period	**(62,296)**	(82,141)
Retained earnings (deficit), beginning of period	**(64,224)**	17,917
Deficit, end of period	**$ (126,520)**	$ (64,224)
Loss per share	**$ (0.01)**	$ (0.01)

See accompanying notes to financial statements.

Statement of Changes in Financial Position

For the ten months ended December 31, 1994, with comparative figures from the date of amalgamation, June 15, 1993 to February 28, 1994

	Ten months ended December 31, 1994	June 15, 1993 to February 28, 1994 (note 1)
Cash provided by (used in)		
Operations		
Net loss for the period	**$ (62,296)**	$ (82,141)
Items not involving cash		
Write-down of U.S. petroleum and natural gas properties	**170,397**	–
Deferred tax recovery	**(2,500)**	–
Depletion and depreciation	**123,702**	144,675
Provision for abandonment and site restoration, net	**13,173**	5,300
	242,476	67,834
Changes in non-cash operating working capital	**(597,485)**	280,142
	(355,009)	347,976
Financing		
Issue of share capital		
For cash	**1,379,525**	1,022,495
In exchange for petroleum and natural gas properties	**30,000**	1,190,890
On settlement of notes payable, long-term debt and accounts payable	–	283,041
Repayment of debt through issue of shares	–	(200,000)
	1,409,525	2,296,426
Investments		
Expenditures on capital assets	**(2,313,732)**	(1,500,350)
Proceeds on sale of petroleum and natural gas properties	**1,475,122**	455,808
Acquisition of petroleum and natural gas properties through issue of shares	–	(1,190,890)
	(838,610)	(2,235,432)
Changes in non-cash investing working capital	**(298,144)**	86,233
	(1,136,754)	(2,149,199)
Increase (decrease) in cash position	**(82,238)**	495,203
Cash, beginning of period	**558,769**	63,566
Cash, end of period	**$ 476,531**	$ 558,769

See accompanying notes to financial statements.

1. Amalgamation and comparative figures

Effective February 9, 1995, Electra Petroleum Ltd. amalgamated with a reporting issuer in the Province of Alberta to form Electra Energy Corporation (see note 9).

The Corporation was a private corporation formed on June 15, 1993 under the laws of the Province of Alberta through the amalgamation of three predecessor corporations, Electra Petroleum Ltd. ("EPL"), Norglen Resources Ltd. ("NRL") and 599891 Alberta Inc. ("599891"). The combination has been accounted for by the pooling of interests method. All of the outstanding voting shares in each of the predecessor corporations were exchanged for shares in the Corporation to effect the amalgamation.

The following is a summary of the net assets at book value brought into the combination by each of the predecessor corporations:

	EPL	NRL	599891
Total assets at book value	$ 365,473	$ 254,558	$ 14,112
Total liabilities at book value	386,256	206,902	–
Net assets	$ (20,783)	$ 47,656	$ 14,112

The number and fair value, as determined by the Directors of the predecessor corporations, of the Corporation's Class A common shares received by each of the predecessor corporations are as follows:

	EPL	NRL	599891
Number of shares	1	2,679,788	1,500,000
Fair value of shares	$ –	$ 538,788	$ 301,584

No other consideration was received by the shareholders of the predecessor corporations.

The financial information presented for the current period is for the ten months ended December 31, 1994 while the comparative financial information presented is for the period from the date of amalgamation, June 15, 1993 to February 28, 1994. Certain comparative figures have been reclassified to conform with the current period's presentation.

2. Significant accounting policies

(a) Capital assets

The Corporation follows the full cost method of accounting for petroleum and natural gas properties, whereby all costs associated with the exploration for and the development of petroleum and natural gas reserves in North America, whether productive or unproductive, are capitalized in cost centres on a country by country basis. Costs capitalized include land acquisition costs, geological and geophysical expenditures, rentals on undeveloped properties, drilling and overhead expenses related to exploration and development activities. Proceeds of disposition of property sales are credited to the net book value of the property and equipment. Gains or losses are not recognized upon disposition of oil and gas properties unless disposition would significantly alter the rate of depletion and depreciation.

Costs capitalized are depleted and amortized using the unit-of-production method based on gross proved oil and gas reserves as determined by independent and company engineers. For purposes of the depletion calculation, proved oil and gas reserves are converted to a common unit of measure on the basis of their approximate relative energy content. The carrying value of unproved properties is excluded from the depletion calculation.

In applying the full cost method, the Corporation performs a ceiling test which restricts the capitalized costs less accumulated depletion and amortization from exceeding an amount equal to the estimated undiscounted value of future net revenues from proved oil and gas reserves, based on current prices and costs, and after deducting estimated future abandonment and site restoration costs, general and administrative expenses, financing costs and income taxes.

Substantially all of the Corporation's petroleum and natural gas exploration and production activities are conducted jointly with others and, accordingly these financial statements reflect only the Corporation's proportionate interest in such activities.

Depreciation of other assets, including leasehold improvements, is based on estimated useful life and is calculated using the declining balance method at rates of 20% to 30% or the straight-line basis.

(b) Abandonment and site restoration provision

Future abandonment and site restoration costs are amortized using the unit-of-production method. These costs are based on year-end estimates of the anticipated costs of site restoration.

(c) Flow-through shares

The resource expenditure deductions for income tax purposes related to exploratory and development activities funded by flow-through share arrangements are renounced to investors in accordance with income tax legislation. Petroleum and natural gas properties and share capital are reduced by the estimated cost of the anticipated tax deductions to be renounced.

(d) Per share amounts

Per share amounts are calculated using the weighted average number of shares outstanding during the period.

3. Capital assets

December 31, 1994	Cost	Accumulated depletion and depreciation	Net book value
Petroleum and natural gas properties	$ 2,726,944	$ 734,154	$ 1,992,790
Other assets	75,452	15,509	59,943
	$ 2,802,396	$ 749,663	$ 2,052,733
February 28, 1994			
Petroleum and natural gas properties	$ 2,554,102	$ 447,816	$ 2,106,286
Other assets	21,363	7,746	13,617
	$ 2,575,465	$ 455,562	$ 2,119,903

During the period ended December 31, 1994, the company capitalized general and administrative expenses in the amount of $148,443. At December 31, 1994, costs of approximately $1,509,000 (February 28, 1994 – $1,558,000) included in petroleum and natural gas properties had an income tax base of nil. For the ten months ended December 31, 1994, undeveloped land with a cost of $683,000 (period ended February 28, 1994 – $ nil) have been excluded from costs subject to depletion and depreciation.

Included in the cost of petroleum and natural gas properties at February 28, 1994 are costs of $168,657 relating to properties in the United States. There were no operations attributable to these properties for the period from the date of amalgamation to December 31, 1994. During the period ended December 31, 1994 the total cost incurred on properties in the United States of $170,397 was written-off and included in the Statement of Loss and Deficit.

4. Long-term debt

Long-term debt is represented by a debenture in the amount of $141,500 bearing interest at 2% above the Alberta Treasury Branch's prime rate held by a charitable trust which is controlled by a director and shareholder of the Corporation (see notes 7 and 9).

5. Share capital

(a) Authorized

Unlimited number of Class A common shares without par value.

(b) Issued

	Number of shares	Amount
Issued on amalgamation – June 15, 1993	4,179,789	$ 23,068
Issued in exchange for petroleum and natural gas properties	3,791,780	1,190,890
Issued on settlement of notes payable, long-term debt and accounts payable	599,070	283,041
Issued flow-through shares for cash	1,440,001	830,000
Issued for cash on exercise of warrants	376,660	192,495
Effect of tax deductions renounced on flow-through shares issued	–	(365,200)
Balance, February 28, 1994	10,387,300	2,154,294
Issued in exchange for petroleum and natural gas properties	39,998	30,000
Issued flow-through shares for cash	1, 524,000	1,379,525
Effect of tax deductions renounced on flow-through shares issued	–	(611,681)
Balance, December 31, 1994	11,951,298	$ 2,952,138

(c) During the period ended December 31, 1994, the Corporation granted options to certain officers and employees to acquire a total of 901,000 Class A common shares at $0.75 per share as to 832,000 and the balance at $1.00 per share, vesting over a three year period and expiring in February, 2000. Options to acquire 430,000 Class A common shares at $0.50 per share outstanding at February 28, 1994 are fully vested and remain outstanding with expiry in February, 2000.

Warrants were also granted to employees and a director/employee to acquire 550,000 Class A common shares at $0.75 per share expiring on July 31, 1996 as to 300,000, 100,000 on August 31, 1996 and the balance on September 30, 1996. Warrants to acquire 623,340 Class A common shares at $1.00 per share outstanding at February 28, 1994 expired without being exercised on June 30, 1994.

6. Income taxes

The provision for income taxes in the statement of loss reflects an effective income tax rate which differs from combined federal and provincial statutory tax rates. The main differences are summarized as follows:

	Ten months ended December 31, 1994	June 15, 1993 to February 28, 1994
Loss before income taxes	**$ (64,796)**	$ (82,141)
Corporate income tax rate	**44.34%**	44.34%
Computed income tax recovery	**(28,730)**	(36,400)
Increase (decrease) resulting from		
Non-deductible crown payments, net	**15,200**	5,600
Resource allowance	**(32,804)**	(5,500)
Non-tax base depletion and depreciation	**40,461**	40,800
Adjustments to rate of accumulation	**3,373**	(4,500)
	26,320	36,400
Actual income tax provision (recovery)	**$ (2,500)**	$ –

The Corporation has available for deduction against future taxable income undepreciated capital cost, Canadian exploration expense, Canadian development expense and Canadian oil and gas property expense aggregating approximately $428,957 (February 28, 1994 – $281,000) some of which may be restricted and be deductible only against revenues from certain properties.

7. Related party transactions

(a) During the period ended February 28, 1994, the Corporation acquired working interests in certain petroleum and natural gas properties, royalty interests and unexplored lands from five directors and/or companies related to the directors, in exchange for 2,914,540 common shares at an attributed book value of $915,374 being a value of $1,457,270 less $541,896 of foregone income tax related benefits.

(b) During the period ended February 28, 1994, the Corporation settled notes payable in the amount of $68,189 held by two companies related to directors of the Corporation through the issue of 144,378 Class A common shares. The Corporation also settled a debenture of $200,000 held by a director, through the issue of 425,000 Class A common shares.

7. Related party transactions (continued)

(c) For the ten months ended December 31, 1994, the Corporation paid interest on a convertible debenture held by a charitable trust which is controlled by a director and shareholder of the Corporation in the amount of $10,992 (period ended February 28, 1994 – $7,797).

8. Commitments

The Corporation is committed to payments under operating leases for building and equipment through 1998 as follows:

1995	$105,112
1996	90,422
1997	89,558
1998	36,235
	$321,327

9. Subsequent events

(a) On January 3, 1995, pursuant to the conversion option, the debenture held by a charitable trust which is controlled by a director and shareholder of the Corporation was converted into 283,000 common shares of the Corporation.

(b) On February 6, 1995, the Corporation obtained a $1,500,000 revolving production loan bearing interest at bank prime plus 1% with interest payable monthly. The loan is secured by a general assignment of debts, a $3,000,000 fixed and floating charge debenture with a first fixed charge on certain petroleum and natural gas properties and a floating charge on all other assets.

The loan is payable on demand and is subject to periodic review; however, repayments are not required provided borrowings are not in excess of the borrowing base and that other existing loan covenants are complied with.

(c) On February 9, 1995, Electra Petroleum Ltd. amalgamated with Lake Placid Resources Ltd. (Lake Placid), a reporting issuer in Alberta, to form Electra Energy Corporation. Each Lake Placid shareholder received one common share of the continuing entity for each ten common shares they previously held. Each Electra Petroleum Ltd. shareholder received one common share of the amalgamated entity for each common share they previously held. The former Electra Petroleum Ltd. shareholders held, immediately following the amalgamation, in excess of 95% of the amalgamated entity's outstanding common shares of which there are a total 12,754,298 issued and outstanding. Electra Petroleum Ltd. has been deemed to be the acquirer of Lake Placid.

The business combination will be accounted for using the purchase method of accounting and the purchase price will be allocated based on fair values as follows:

Current assets	$ 29,839
Capital assets	199,166
Current liabilities	(14,873)
Total consideration funded by 520,000 common shares of the continuing entity	$ 214,132

Corporate Information

Management and Directors

J.D. Gary Kirkpatrick
President and Chairman

Douglas L. Proctor
Exploration Manager

Brian D. Korney
Controller

Anthony D. Convey
Operations Manager

Robert T. Malcolm, Q.C.
Corporate Secretary, Director

Ronald G. Hayes
Director

Robert G. Gibson
Director

Thomas G. Goodenough
Director

John A. Kaye
Director

Head Office

Suite 3750
205 - 5 Avenue S.W.
Calgary, AB T2P 2Y7
Tel 403.263.2405
Fax 403.266.2765

Bank

Canadian Imperial Bank
of Commerce
10th Floor, Bankers Hall
855 - 2 Street S.W.
Calgary, AB T2P 2P2

Auditors

KPMG Peat Marwick Thorne
1200, 205 - 5 Avenue S.W.
Calgary, AB T2P 4B9

Legal Counsel

MacKimmie Matthews
700, 401 - 9 Avenue S.W.
Calgary, AB T2P 2M2

Evaluation Engineers

Reliance Engineering
Group Ltd.
700, 840 - 6 Avenue S.W.
Calgary, AB T2P 3E5

Registrar and Transfer Agent

Montreal Trust Company
of Canada
Stock Transfer Services
411 - 8 Avenue S.W.
Calgary, AB T2P 1E7

Stock Listing

Alberta Stock Exchange
"EEN"

Annual General Meeting

The Annual General Meeting of Shareholders will be held on Wednesday, June 28, 1995, at 10:30 a.m. at the Bow Valley Club, Suite 370, 250 - 6th Avenue S.W., Calgary, Alberta. Shareholders who are unable to attend are asked to complete and return their Form of Proxy to Montreal Trust Company of Canada.

Abbreviations

bbl	*barrel*
bbl/d	*barrels per day*
mbbl	*thousand barrels*
mcf	*thousand cubic feet*
mcf/d	*thousand cubic feet per day*
mmcf	*million cubic feet*
boe	*barrel oil equivalent (1 boe = 10 mcf)*
boe/d	*barrels oil equivalent per day*
mboe	*thousand barrels oil equivalent*

ELECTRA ENERGY CORPORATION

Suite 3750
Bow Valley Square 2
205 - 5 Avenue S.W.
Calgary, Alberta T2P 2V7
Tel 403.263.2405
Fax 403.266.2765

Printed in Canada